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WHAT IS CLAIMED IS:

1. A bottom hole assembly for horizontal drilling comprising a mud motor having a bit mounted on its forward end, the mud motor including axially extending bearing, transmission and power sections, said sections including a bent housing, an axially extending bearing mandrel rotationally and axially supported in the bearing section, the bearing section and the power section having respective axes at a small angle relative to one another, the bit being carried by the bearing mandrel, the transmission section transmitting torque from the power section to the bearing mandrel to rotationally drive the bit, and a sonde for electromagnetic signalling of its location and other data relating to its orientation to the surface, the sonde being located on the bottom hole assembly between the bit and the power section.

- 2. A pottom hole assembly as set forth in claim 1, wherein the sonde is located within a space limited by the ends of the bearing mandrel.
- 3. A bottom hole assembly as set forth in claim 1, wherein the bearing section includes a bearing rotationally supporting the bearing mandrel for rotation about an axis and having an outer radius, the sonde lying in a zone limited by the outer radius of said bearing.
- 4. A bottom hole assembly as set forth in claim 3, wherein said sonde is rearward of said bearing.
- 5. A mud motor for horizontal directional drilling comprising a bearing section, a transmission section, and a power section, the bearing section including a shaft for driving a bit and bearing structure for radially and

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axially supporting the shaft, the power section including a rotor operated by fluid power of mud received from a drill string, the transmission section transferring power from the rotor of the power section to the shaft, the bearing, transmission and power sections having respective surrounding housing areas, and a sonde carried on a housing area forward of the power section.

- 6. A mud motor as set forth in claim 5, wherein the housing area associated with the bearing section surrounds the shaft, said shaft surrounding housing area having a wall with a pocket, the sonde being disposed in said pocket.
 - 7. A mud motor as set forth in claim 6, including a cover overlying the pocket to protect the sonde removably secured to the shaft surrounding housing area.
 - 8. A mud motor as set forth in claim 7, wherein said cover is secured to said surrounding housing area with a plurality of screws threaded into said shaft surrounding housing area.